



Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

*Bond + Contract  
replaced 7-31-00*

March 12, 1996

TO: Board of Oil, Gas and Mining

THRU: James W. Carter, Director *James W. Carter for JWC*

THRU: D. Wayne Hedberg, Permit Supervisor/Lowell P. Braxton, Associate Director *LPR*

FROM: Anthony A. Gallegos, Senior Reclamation Specialist *aa g*

RE: Request for Board Approval, Amount and Form of Revised Reclamation Surety, Ziegler Chemical & Mineral Corporation (Ziegler), Ziegler Gilsonite Operations, M/047/013, Uintah County, Utah

The Division seeks Board approval of the amount and form of revised reclamation surety provided by Ziegler for the Ziegler Gilsonite Operations located in Uintah County, Utah. The form of surety is a rider to the existing Letter of Credit, with National Westminster Bank, USA, for the amount of \$113,900. This new surety amount is associated with the recent ZI-95-1 permit amendment submitted by Ziegler.

The Division last inspected the Ziegler sites on 12/11/95. As a result of that inspection a summary listing of the mine sites and their current status was prepared. Mine sites C-1, C-2, and C-3 have been reclaimed by Ziegler, but have not yet survived three growing seasons. The Division has reduced the surety amount in recognition of the earthwork completed at these sites. This surety reduction amounts to \$5,300. Applying this reduction to the additional surety required for the ZI-95-1 amendment provides a new total surety amount of \$113,900 (\$105,300 + \$13,900 - \$5,300).

Attached for your review are copies of the following documents:

1. Summary checklist
2. Location map
3. Executive summary
4. Reclamation surety estimate
5. Reclamation Contract (From MR-RC)
6. Surety bond (Attachment B - MR Form 5)

Thank you for your time and consideration of this request.

jb  
Attachments  
M047013.BRD



## DOGM MINERALS PROGRAM

### Checklist for Board Approval of FORM AND AMOUNT OF SURETY

Prepared March 8, 1996

Mine Name Ziegler Gilsonite Mines  
File No. M/047/013

Items	Provided		Remarks
	Yes	No	
Executive Summary	X		
Location Map	X		
Reclamation Bond Estimate	X		
Signed Reclamation Contract		X	Expect signed forms prior to Board Hearing
Signed Power of Attorney/ Affidavit of Qualification		X	N/A
Bond/Reclamation Surety	X		Copy of original LOC included; new rider forthcoming

## EXECUTIVE SUMMARY

Prepared March 8, 1996

Mine Name: Ziegler Gilsonite Mines  
Operator: Ziegler Chemical and Minerals  
and Minerals Corporation  
Star Route  
Little Bonanza, Utah  
Telephone: (801) 789-3593  
Contact Person: Norman Haslem

I.D. No: M/047/013  
County: Uintah  
New/Existing: Amendment to Existing  
Mineral Ownership: Fee, State, BLM  
Surface Ownership: Fee, State, BLM  
Lease No.(s): Various  
Permit Term: Life of Mine

Life of Mine: 20 Years

This summary was revised to include the ZI-95-1 mine site amended to the Ziegler large mine permit.

Legal Description: Sections 15, 16, 22, 30, T9S, R24E; Sections 29, and 30, T10S, R21E; and  
Section 33, T8S, R21E, SLBM

Mineral(s) to be Mined: Gilsonite

Mining Methods: Underground mining at a number of satellite mine sites using pneumatic chipping hammers  
to extract ore. Wooden stalls and chainlink fencing are used for support in underground workings. A  
conventional hoist is used for haulage of workers and materials. Ore is lifted to the surface using a vacuum  
air lift system. Ore is stored in bins at each mine and trucked to the main processing and bagging facilities.  
Occasionally water is pumped from some sites.

Acres to be Disturbed: Mine Areas = 21.34 acres; Processing Facilities = 12.0 acres

Present Land Use: Mining and wildlife grazing

Postmining Land Use: Wildlife grazing

Variances from Reclamation Standards (Rule R647) Granted: None

### Soils and Geology:

Soil Description: Sandy loam

pH: 8.4 - 8.8

Special Handling Problems: Very little soil will be disturbed

Geology Description: The gilsonite veins are very narrow (3' to 8' wide) and practically vertical. They are  
mined up to a depth of 1,000 feet.

### Hydrology:

Ground Water Description: Water is pumped from several of the shafts. A discharge permit has been  
approved by the Division of Environmental Quality.

**Surface Water Description:** No ephemeral or perennial streams are located in the vicinity of mine operations.

**Water Monitoring Plan:** N/A

**Ecology:**

**Vegetation Type(s); Dominant Species:** Shadscale, sagebrush, rabbitbrush, four-wind salt bush, cheatgrass, Indian ricegrass and galleta.

**Percent Surrounding Vegetative Cover:** 15 - 20%

**Wildlife Concerns:** None

**Surface Facilities:** Each mine site has a headframe and hoist house. Processing and storage facilities are centralized near Little Bonanza.

**Mining and Reclamation Plan Summary:** . . . .

**During Operations:**

1. Gilsonite will be mined with pneumatic chipping hammers and hoisted to the surface. Average production is about 12,000 tons of gilsonite per year.
2. The gilsonite is trucked to the processing facilities where it is pulverized, solar dried, and packaged for shipment.

**After Operations:**

1. All trash, equipment and unusable structures will be removed or buried onsite.
2. The shafts will be sealed with a reinforced concrete cap.
3. Gilsonite will be cleaned up and buried.
4. All disturbed areas will be recontoured, scarified, fertilized and seeded.

**Surety:**

**Amount:** \$113,900

**Form:** Letter of Credit

**Renewable Term:** (1999)

Ziegler Chemical & Mineral Corporation  
 ZI-95-1 PERMIT AMENDMENT of 11/6/95

Ziegler Gilsonite Mines

M/047/013

last revision 03/12/96

filename m47-13a2.wb2

Prepared by Utah State Division of Oil, Gas & Mining

page "amendment"

- This estimate is for the ZI-95-1 Amendment area ONLY
- Surety for this amendment is also held by SITLA for rental & royalty under ML46565
- This estimate is based on information provided by the operator
- The amendment is for 1 complete shaft & 1 escapeway shaft constructed at the same time
- Page 1 of the amendment describes the disturbance as 0.309 acres of road, &
- two shaft sites involving 2.12 acres each, for a total of 4.55 acres
- Total disturbance for this amendment is 4.55 acres
- Mobilization is included at 1/2 due to probable reclamation of multiple sites at once

ONE SHAFT SETUP	#	UNITS	UNIT	\$/UNIT	\$	
removing headframe - crane	10		hr	120	1,200	(1)
moving headframe, hoist, etc.	20		hr	65	1,300	(1)
general labor, 3-man crew, 3-10hr days	90		hr	10	900	(2)
subtotal for 1 shaft setup					3,400	
UNRECLAIMED SITE WITHOUT STRUCTURES(headframe, bldgs, etc.)						
general labor, 3-man crew, 3-10hr days	90		hr	10	900	(2)
shaft capping-concrete	3.5		cy	56	198	(3)
shaft capping-timber(4-6"x 6"x 6')	4		timber	29	115	(4)
shaft capping-rebar (16-5/8" x 5')	16		rebar	6.0	96	(5)
ripping compacted areas (0.6 mph)	2.12		acre	411	873	(6)
regrading wasterock into shaft	0.25		acre	360	90	(7)
spreading topsoil	2.12		acre	430	912	(8)
seeding disturbed area	2.12		acre	110	233	(9)
subtotal for 1 site without structures					3,416	
subtotal for 2 sites without shaft structures					6,833	
add in reclamation of 1 complete shaft setup					3,400	
add in road ripping/regrading	0.31		acre	430	133	(10)
add in road topsoiling	0.31		acre	430	133	(10)
add in road seeding	0.31		acre	110	34	(9)
subtotal					10,533	
add in 1/2 mobilization	1		equip	500	500	
subtotal					11,033	
add in 10% contingency					1,103	
subtotal in 1996 dollars					12,137	
add 2.68% escalation for 5 years to 2001-\$					1,716	
TOTAL					13,853	
ROUNDED TOTAL IN 2001-\$ (AMENDMENT ONLY)					<u>\$13,900</u>	

average cost per acre

\$3,055

NOTE: shaded items indicate DOGM assumptions

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**DOGM NOTES**

- |      |  |
|------|--|
| (1)  | Ziegler unit costs from Cowboy Amendment calculations                    |
| (2)  | DOGM adjusted #days  |
| (3)  | MEANS-1996 Heavy Construction Cost Data 033-100-126-0100 (2500psi conc   |
| (4)  | MEANS-1996 Heavy Construction Cost Data 061-100-118-0250                 |
| (5)  | MEANS-1996 Heavy Construction Cost Data 032-100-107-2420 (#5, 2ft bar, a |
| (6)  | DOGM assumed 60% of total area; ripping D8N 0.6 mph                      |
| (7)  | DOGM estimate of area, D8N regrade 0.7 ft deep, 50 ft push               |
| (8)  | DOGM estimate of area, D8N regrade 0.5 ft deep, 100 ft push              |
| (9)  | DOGM estimate of unit cost   |
| (10) | DOGM, D8N regrade 0.5 ft deep, 100 ft push                               |
- 

**INFO FROM PERMIT AMENDMENT**

	<u>L1</u>	<u>W1</u>	<u>A1</u>	
new road	900	15	13,500	sq-ft
shaft area includes hoist house & generator house	300	300	90,000	sq-ft
compressor house	50	50	2,500	sq-ft
second shaft area	300	300	90,000	sq-ft
second compressor house	50	50	2,500	sq-ft
wasterock pile-included in shaft area (assumed)			0	sq-ft
topsoil stockpile-included in shaft area (assumed)			0	sq-ft
wooden prop storage-included in shaft area (assumed)			0	sq-ft
Total sq-ft			198,500	sq-ft

**TOTAL ACREAGE FOR AMENDMENT****4.56 acres**

Ziegler Chemical & Mineral Corporation

last revision

03/12/96

**SUMMARY LISTING OF MINE SITES UNDER THIS PERMIT**

Ziegler Gilsonite Mines M/047/013

filename m47-13a2.wb2

Prepared by Utah State Division of Oil, Gas & Mining

page "summary"

<u>Name</u>	<u>Land ownership</u>	<u>Acreage</u>
Independent 3		1.38
Independent 4		1.41
Independent 5	SITLA	1.20
Little Bonanza 3		1.14
Little Bonanza 8		1.00
Little Bonanza 11		1.01
Little Bonanza 12		1.51
Little Bonanza 8A	SITLA	1.00
Little Emma 1 middle		1.10
Cottonwood 1	SITLA	1.24
Cottonwood 2	SITLA with C-1	
Cottonwood 3	SITLA	1.50
Cowboy 1	BLM lease	3.30
ZI-95-1	SITLA	4.55

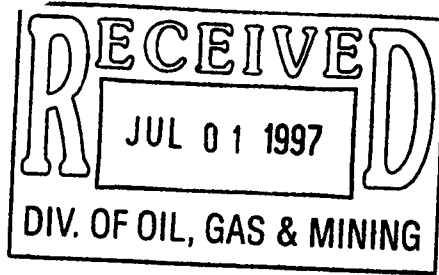
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<b>TOTAL MINE SITES ACREAGE</b>	<b>21.34</b>
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Processing facilities	12.00
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<b>TOTAL PERMIT ACREAGE</b>	<b>33.34</b>
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File Number M/047/013

Effective Date July 15, 1997

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

*Replaced -  
this original returned  
to operator 7/31/00.*

### RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/047/013</u>
(Mineral Mined)	<u>Gilsonite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Ziegler Gilsonite Mines</u>
(Description)	<u>Underground Mines in Uintah County, UT</u>
	<u> </u>
	<u> </u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>33.34 acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Ziegler Chemical &amp; Mineral Corp.</u>
(Address)	<u>100 Jericho Quad, Suite 140</u>
	<u>Jericho, NY 11753</u>
	<u> </u>
(Phone)	<u>516-681-9600</u>



"OPERATOR'S REGISTERED AGENT":

(Name)

McKeachnie & Allred

(Address)

Gayle F. McKeachnie

363 East Main

Vernal, UT 84078

(Phone)

801-789-4908

"OPERATOR'S OFFICER(S)":

Gordon Ziegler, Jr./President

William Hyland/VP-Finance

Norman Haslem/Manager/Vernal, UT office

"SURETY":

(Form of Surety - Attachment B) Reclamation Bond (Surety Bond)

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Frontier Insurance Company

"SURETY AMOUNT":

(Escalated Dollars)

\$126,600

"ESCALATION YEAR":

2002

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Ziegler Chemical the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/047/013 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated July 14, 1986, and the original Reclamation Plan dated July 14, 1986. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance

with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the

parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

ZIEGLER CHEMICAL & MINERAL CORP.

Operator Name

By: GORDON S. ZIEGLER, JR.

Authorized Officer (Typed or Printed)


  
Authorized Officer's Signature

6/12/97  
Date

=====

SO AGREED this 15th day of July, 1997

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY   
\_\_\_\_\_  
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

  
James W. Carter, Director

Date

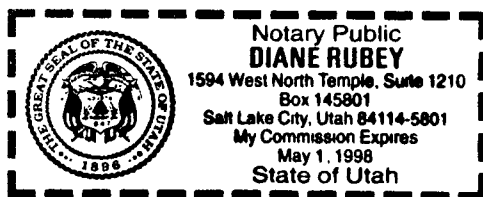
July 15, 1997

STATE OF Utah )

) ss:

COUNTY OF Salt Lake )

On the 15th day of July, 19 97, personally appeared before me James W. Carter, who being duly sworn did say that he she, the said James W. Carter is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he she duly acknowledged to me that he she executed the foregoing document by authority of law on behalf of the State of Utah.



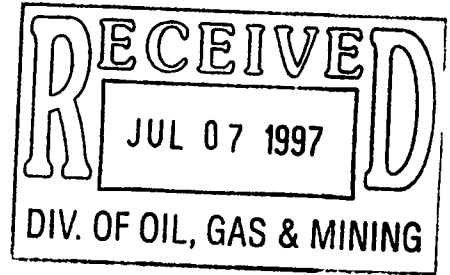
Diane Rubey  
Notary Public  
Residing at: Salt Lake City, Utah

My Commission Expires: \_\_\_\_\_

OPERATOR:

ZIEGLER CHEMICAL & MINERAL CORP.

Operator Name



By GORDON S. ZIEGLER, JR.  
Corporate Officer - Position PRESIDENT

JUNE 12, 1997  
Date

[Signature]  
Signature

STATE OF NEW YORK )  
COUNTY OF NASSAU ) ss:

On the 12TH day of JUNE, 19 97, personally  
appeared before me GORDON S. ZIEGLER, JR. who being by  
me duly sworn did say that he/she, the said GORDON S. ZIEGLER, JR.  
is the PRESIDENT of ZIEGLER CHEMICAL & MINERAL CORP.  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
GORDON S. ZIEGLER, JR. duly acknowledged to me that said  
company executed the same.

BRIAN LYNCH  
NOTARY PUBLIC, State of New York  
No. 01LY4613944  
Qualified in Nassau County  
Expires January 1999

[Signature]  
Notary Public  
Residing at: 90 Long Dr  
Hempstead NY

My Commission Expires:

# ATTACHMENT "A"

Ziegler Chemical & Mineral Corp.  
Operator

Ziegler Gilsonite Mines  
Mine Name

M/047/013  
Permit Number

Uintah County, Utah

## The legal description of lands to be disturbed is:

<u>Name</u>	<u>Legal Description</u>	<u>Acres</u>
Independent 3	T9S, R24E, Sec. 16: SE1/4 of NE1/4	1.38
Independent 4	T9S, R24E, Sec. 16: SW1/4 of NE1/4	1.41
Independent 5 (ML851A)	T9S, R24E, Sec. 16: NW1/4 of NE1/4	1.20
Little Bonanza 3	T9S, R24E, Sec. 16: SW1/4 of SE1/4	1.14
Little Bonanza 8	T9S, R24E, Sec. 16: SE1/4 of SE1/4	1.00
Little Bonanza 8A	T9S, R24E, Sec 15: SW1/4 of SW1/4	1.00
Little Bonanza 11	T9S, R24E, Sec. 22: NE1/4 of NW1/4	1.01
Little Bonanza 12	T9S, R24E, Sec. 22: NE1/4 of NW1/4	1.51
Little Emma 1	T9S, R24E, Sec. 30: SE1/4 of SE1/4	1.10
Cottonwood 1 & 2	T10S, R21E, Sec. 29: NE1/4 of SE1/4	1.24
Cottonwood 3	T10S, R21E, Sec. 29: SW1/4 of NW1/4 and T10S, R21E, Sec. 30: SE1/4 of NE1/4	1.50
Cowboy Federal #1	T8S, R21E, Sec. 33: SW1/4 of SW1/4 of SE1/4	3.30
Z1-95-1	T9S, R24E, Sec. 16: NE1/4 of NW1/4 of NW1/4	4.55
		<u>21.34</u>

## Processing Facilities:

T9S, R24E, Sec. 22: NW1/4 of NW1/4	3.00
T9S, R24E, Sec. 15: SW1/4 of SW1/4	5.00
T9S, R24E, Sec. 16: SW1/4 of SE1/4	4.00
	<u>12.00</u>

Total All 33.34

ATTACHMENT B

MR FORM 5

June 10, 1996

Bond Number \_\_\_\_\_

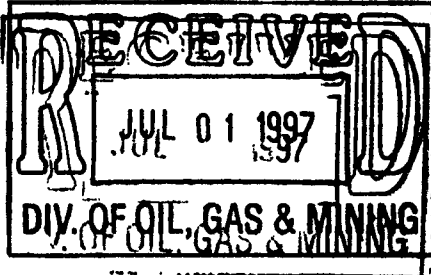
Permit Number \_\_\_\_\_

Mine Name M/047/013

Ziegler Gilsonite Mines

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas and Mining  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940



*this surety was  
cancelled & replaced.  
this original returned  
to operator 7/31/00.*

THE MINED LAND RECLAMATION ACT

SURETY BOND

\*\*\*\*\*

The undersigned Ziegler Chemical & Mineral Corporation, as Principal, and Frontier Insurance Company, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of One Hundred Twenty-Six Thousand, dollars (\$ 126,600.00 ).  
Six Hundred Dollars

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 28th day of July, 1988, that 33.34 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.



This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Ziegler Chemical & Mineral Corp.

June 10, 1997

Principal (Permittee)

Date

Gordon S. Ziegler, Jr.

By (Name typed):

President

Title

Signature

**Surety Company : FRONTIER INSURANCE COMPANY**

WILLIAM H. HUTTO

JUNE 18, 1997

Company Officer

Date


ATTORNEY-IN-FACT

Title/Position

Signature

SO AGREED this 22nd day of October, 1997.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

  
\_\_\_\_\_  
Dave B. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

Page 3  
MR-5 (revised June 10, 1996)  
Attachment B

Bond Number                       
Permit Number                       
Mine Name M/047/013  
Ziegler Gilsonite Mines

SO AGREED this 15th day of July, 1997.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

**HARRIET S. LEVINE**  
Notary Public, State of New York  
No. 02LE5071294  
Qualified in New York County  
Commission Expires Jan. 6, 1999

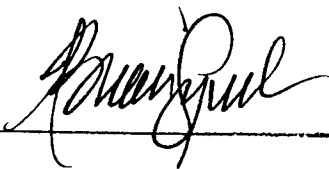
**CORPORATE VERIFICATION**State of New York  
County of Nassau

SS.: \_\_\_\_\_

On this 10th day of June, in the year 1997

before me personally come(s) Gordon S. Ziegler, Jr. to me known, who, being by me  
duly sworn, deposes and says that he resides in the City of Muttontown that he is the President  
of the Ziegler Chemcail & Mineral Corp., the corporation described in and which executed the  
foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal;  
that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

SIGNATURE AND TITLE OF OFFICIAL TAKING ACKNOWLEDGMENT

  
BRIAN LYNCH  
NOTARY PUBLIC, State of New York  
No. 01LY4613944  
Qualified in Nassau County  
Commission Expires January 31, 1998.

**PRINCIPAL'S ACKNOWLEDGMENT**  
**INDIVIDUAL VERIFICATION**

State of \_\_\_\_\_ County of \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, in the year 19 \_\_\_\_\_, before me personally came \_\_\_\_\_ to me known, and known to me to be the person(s) who is (are) described in and who executed the foregoing instrument, and acknowledges to me that he (they) executed the same.

\_\_\_\_\_  
(Signature and title of official taking acknowledgment)

**PARTNERSHIP VERIFICATION**

State of \_\_\_\_\_ County of \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, in the year 19 \_\_\_\_\_, before me personally came \_\_\_\_\_ to me known, and known to me to be the person who is described in and who executed the foregoing instrument, and acknowledges to me that he executed the same, as and for the act and deed of the said co-partnership.

\_\_\_\_\_  
(Signature and title of official taking acknowledgment)

**CORPORATE VERIFICATION**

State of New York County of Nassau

On this 20 day of MAY, in the year 19 97, before me personally came

William J. Hyland to me known, who, being by me duly sworn, deposes and

says that he resides in the City of Valley Stream that he is the Vice President

of the Ziegler Chemical Mineral Corp., the corporation described in and which executed the foregoing instrument, that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

NANCY E. CHIESA  
Notary Public, State of New York  
No. 4953433 Reg. in Suffolk,  
Qualified in Nassau County  
Commission Expires July 10, 1997

\_\_\_\_\_  
(Signature and title of official taking acknowledgment)

**SURETY COMPANY ACKNOWLEDGMENT**

State of NEW YORK County of NEW YORK

On this 19TH day of MAY, in the year 19 97, before me personally came

WILLIAM H. HUTTO

\_\_\_\_\_ to me known to be the individual described in and who executed the foregoing instrument and to be the Attorney-in-Fact of FRONTIER INSURANCE COMPANY, which is to me known to be the corporation described in the foregoing instrument, and which, by its said Attorney-in-Fact executed the same, and said Attorney-in-Fact duly acknowledged to me that he knows the Seal of said Corporation; that the Seal affixed to said instrument is such Corporate Seal; that it was so affixed by order of the Board of Directors of said Corporation; and that he executed the said instrument as the act and deed of said FRONTIER INSURANCE COMPANY therein described and for the uses and purposes therein mentioned, by virtue of a certain power of attorney executed by said FRONTIER INSURANCE COMPANY dated \_\_\_\_\_

FEBRUARY 24, 1997

\_\_\_\_\_, which said power has never been revoked and is still in full force and effect; and that the said corporation has received from the Superintendent of Insurance of the State of New York a certificate of solvency and of its sufficiency as surety or guarantor under Section 327, Chapter 882 of the Laws of 1939, being Chapter 28 of the Consolidated Laws of New York for the year 1939, and that such certification has not been revoked.

HARRIET S. LEVINE  
Notary Public, State of New York  
No. 02LE5071294  
Qualified in New York County  
Commission Expires Jan. 6, 1999

Harriet Levine  
Notary Public

## POWER OF ATTORNEY

**Know All Men By These Presents:** That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: **WILLIAM H. HUTTO**

of New York, in the State of New York  
its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; IN AN AMOUNT NOT TO EXCEED THREE MILLION FIVE HUNDRED THOUSAND (\$3,500,000.00) DOLLARS; and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

**In Witness Whereof**, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 24th day of February, 1997.

FRONTIER INSURANCE COMPANY

State of New York  
County of Sullivan

ss.:



BY:

  
WALTER A. RHULEN, President

On this 24th day of February, 1997, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

**In Testimony Whereof**, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.





CHRISTINE I. LANE  
Notary Public State of New York  
Sullivan County Clerk's No. 1996  
Commission Expires May 2, 1998

## CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

**In Witness Whereof**, I have hereunto set my hand and affixed the facsimile seal of the corporation this 19TH day of MAY, 1997.



  
JOSEPH P. LOUGHLIN, Secretary



# Financial Statement as of December 31, 1995

I certify that the below listed officers were duly elected by the Board of Directors of Frontier Insurance Company and continue to hold the office set opposite their names.

## OFFICERS

WALTER A. RHULEN	President	CHARLES R. SPITZER	Vice President
JOSEPH P. LOUGHLIN	Secretary	DAVID E. CAMPBELL	Vice President
DENNIS F. PLANTE	Treasurer	HARRY W. RHULEN	Vice President
PETER L. RHULEN	Vice President	JILL GOLD	Vice President
MARK H. MISHLER	Vice President	R. LINDA MARKOVITS	Vice President
JONATHAN M. FARROW	Vice President	THOMAS J. DIETZ	Vice President
DENNIS F. PLANTE	Vice President	KEVIN F. JEFFERY	Vice President

I further certify that the following Financial Statement of the Company is true, as taken from the books of the Company as of December 31, 1995:

ASSETS		LIABILITIES AND POLICYHOLDER'S SURPLUS	
Bonds	\$440,557,964	Losses	249,102,635
Preferred stocks	54,077,916	Loss adjustment expenses	36,094,726
Common stocks	29,395,688	Other expenses	4,485,698
Short-term investments	6,082,674	Reinsurance payable on paid losses	689,418
Cash on hand and on deposit	751,036	Taxes, licenses and fees	2,636,898
Premiums and agents' balances		Unearned premiums	93,299,868
in course of collection	14,071,672	Funds held by Company under	
Reinsurance, agents' balances and installments		Reinsurance Treaties	28,226,024
booked but deferred and not yet due	16,170,710	Amounts withheld or retained by Company	
Reinsurance recoverable on loss payments	2,561,463	for account of others	1,172,520
Electronic data processing equipment	1,415,189	Provisions for reinsurance	83,634
Aggregate write-ins for assets other than		Contingent commissions	1,037,981
invested assets	2,036,770	Aggregate Write-Ins for liabilities	5,800,457
Interest dividends and real estate		Payable to parent, subsidiaries and affiliates	1,969,615
income due and accrued	7,122,522	<b>TOTAL LIABILITIES</b>	<b>\$424,599,474</b>
Real Estate	20,838,435	Capital paid-up	5,000,000
Equities and deposits - pools		Paid-in and contributed surplus	86,824,591
and associations	66,898	Unassigned funds (surplus)	79,537,642
Federal Income Tax recoverable	812,770	Total policyholder's surplus	171,362,233
<b>TOTAL ADMITTED ASSETS</b>	<b>\$595,961,707</b>	<b>TOTAL LIABILITIES &amp; POLICYHOLDER'S SURPLUS</b>	<b>\$595,961,707</b>

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of the Company this 11th day of April, 1996.

CORPORATE SEAL



STATE OF NEW YORK  
COUNTY OF SULLIVAN

SS.:

  
WALTER A. RHULEN, President

On this 11th day of April 1996, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force, and that said Corporation has received from the Superintendent of Insurance of the State of New York a Certificate of Solvency and of its sufficiency as surety or guarantor under Section 1111 of the Insurance Law of the State of New York

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NOTARIAL SEAL





CHRISTINE I. LANE  
Notary Public State of New York  
Sullivan County Clerk's No. 1996  
Commission Expires May 2, 1998